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Raydan Manufacturing Inc. FINANCIAL STATEMENT

**(Unaudited - Prepared By Management)
Six month period ended
October 31, 2001**

Contents

	<u>Page</u>
Index	2
Interim Statement of Income and Retained Earnings	
Three months ended October 31, 2001	3
Six months ended October 31, 2001	4
Interim Balance Sheet	5 - 6
Interim Statement of Cash Flows	
Three months ended October 31, 2001	7
Six months ended October 31, 2001	8
Schedules to the Financial Statements	
Three months ended October 31, 2001	9
Six months ended October 31, 2001	10
Notes to the Interim Financial Statements	11 - 16

Raydan Manufacturing Inc.
STATEMENT OF INCOME and RETAINED EARNINGS
(Unaudited - Prepared By Management)
Three months period ended October 31, 2001

	Three Months to October 31, 2001		Three Months to October 31, 2000	
<u>Revenue</u>				
Sales	\$ 1,288,737	100.0%	\$ 1,398,497	100.0%
<u>Direct Cost</u>				
Cost of sales (schedule 1)	958,788	74.4%	1,043,695	74.6%
Gross Margin	<u>329,949</u>	25.6%	<u>354,802</u>	25.4%
<u>Expenses</u>				
Sales and administrative expenses (schedule 2)	206,995	16.1%	158,218	11.3%
Net Income (loss) before Income taxes	<u>122,954</u>	9.5%	<u>196,584</u>	14.1%
Income tax expense	36,700		32,500	
Future Income Tax benefit	(62,850)		(105,331)	
Net Income for the period	<u>149,104</u>		<u>269,415</u>	
Retained Earnings (Deficit), beginning of period	16,524		(564,851)	
Retained Earnings (Deficit) at end of period	<u>\$ 165,628</u>		<u>\$ (295,436)</u>	
Earnings (loss) per common share	0.013		0.028	

Raydan Manufacturing Inc.
STATEMENT OF INCOME and RETAINED EARNINGS
(Unaudited - Prepared By Management)
Six month period ended October 31, 2001

	Six Months to October 31, 2001		Six Months to October 31, 2000	
<u>Revenue</u>				
Sales	\$ 2,835,203	100.0%	\$ 2,698,464	100.0%
<u>Direct Cost</u>				
Cost of sales (schedule 3)	2,296,209	81.0%	2,097,591	77.7%
Gross Margin	<u>538,994</u>	19.0%	<u>600,873</u>	22.3%
<u>Expenses</u>				
Sales and administrative expenses (schedule 4)	333,659	11.8%	290,657	10.8%
Net Income before Income taxes	<u>205,334</u>	7.2%	<u>310,216</u>	11.5%
Income tax expense	61,600		57,000	
Future Income Tax benefit	(72,000)		(105,331)	
Net Income for the period	<u>215,734</u>		<u>358,547</u>	
Deficit, beginning of period	(50,106)		(653,983)	
Retained Earnings (Deficit) at end of period	<u>\$ 165,628</u>		<u>\$ (295,436)</u>	
<hr/>				
Earnings per common share	0.018		0.037	

Raydan Manufacturing Inc.**BALANCE SHEET****(Unaudited - Prepared By Management)**
as at October 31, 2001

<u>ASSETS</u>	<u>Oct-2001</u> <u>Actual</u>	<u>Apr-2001</u> <u>Actual</u>
<u>CURRENT ASSETS</u>		
Bank - Current (note 6)	\$ 960,513	\$ -
Accounts Receivable (note 13c)	728,539	1,486,541
Inventory (note 3)	938,931	648,663
Work in Progress	-	39,000
Prepaid expenses and deposits	33,298	92,611
Total Current Assets	<u>2,661,281</u>	<u>2,266,815</u>
<u>CAPITAL ASSETS</u>		
Capital Assets (note 4)	<u>907,918</u>	<u>881,265</u>
<u>OTHER ASSETS at cost less amortization</u>		
Future income taxes	144,934	72,934
Patents (note 5)	200,000	215,000
	<u>\$ 3,914,133</u>	<u>\$ 3,436,014</u>

Approved On Behalf Of The Board

Director

Director

Raydan Manufacturing Inc.**BALANCE SHEET****(Unaudited - Prepared By Management)****as at October 31, 2001**

<u>LIABILITIES</u>	Oct-2001 Actual	Apr-2001 Actual
<u>CURRENT LIABILITIES</u>		
Bank indebtedness (note 6)	\$ -	\$ 274,474
Accounts payable and accrued liabilities (note 7)	628,897	1,084,673
Income taxes payable	61,600	38,240
Current portion of long-term debt	137,840	157,548
Total Current Liabilities	828,337	1,554,935
<u>LONG TERM DEBT</u>		
Long Term Debt (note 8)	1,018,005	1,054,905
<u>OTHER LIABILITIES</u>		
Future Income Taxes	-	-
	1,846,342	2,609,840
<u>SHAREHOLDERS EQUITY</u>		
Share Capital (note 10)	1,902,162	876,280
Retained Earnings (Deficit)	165,628	(50,106)
	2,067,790	826,174
	\$ 3,914,133	\$ 3,436,014

Raydan Manufacturing Inc.
STATEMENT OF CASH FLOW
(Unaudited - Prepared By Management)
Three months period ended October 31, 2001

	Three Months to October 31, 2001	Three Months to October 31, 2000
<u>Cash flows from operating activities</u>		
Net Income for period	\$ 149,104	\$ 269,415
Add Non Cash Items:		
Depreciation and amortization	25,200	23,775
Income tax expense recoverable	(26,150)	(72,831)
	<u>148,154</u>	<u>220,359</u>
Change in current assets and liabilities		
Receivables (Increase)	341,490	(70,591)
Inventories (Increase)	(227,762)	(42,883)
Accounts Payable (decrease)	(123,230)	(\$39,900.73)
Cash provided by Operating Activities	<u>(9,502)</u>	<u>(153,374)</u>
<u>Cash flows from investing activities</u>		
Cash flow from investing activities:		
Purchase of capital assets	(35,164)	(6,999)
Proceeds IRAP Program	2,271	31,177
Proceeds on sale of capital assets	-	-
	<u>(32,893)</u>	<u>24,178</u>
<u>Cash flow from financing activities:</u>		
Cash flow from financing activities:		
Increase (decrease) in Long-term debt	(12,618)	(21,733)
Proceeds from share issuances, net of share issuance cost	35,956	-
	<u>23,338</u>	<u>(21,733)</u>
Increase in cash	<u>129,097</u>	<u>69,430</u>
<u>Cash</u>		
Increase (decrease) in cash	129,097	69,430
Cash (bank indebtedness) at beginning of period	<u>831,417</u>	<u>(343,904)</u>
CASH (BANK INDEBTEDNESS) AT END OF PERIOD	<u>\$ 960,514</u>	<u>\$ (274,474)</u>

Cash flow per common share

0.011

0.007

Raydan Manufacturing Inc.
STATEMENT OF CASH FLOW
(Unaudited - Prepared By Management)
Six month period ended October 31, 2001

	Six Months to October 31, 2001	Six Months to October 31, 2000
<u>Cash flows from operating activities</u>		
Net Income for period	\$ 215,734	\$ 358,547
Add Non Cash Items:		
Depreciation and amortization	49,975	47,512
Income tax expense (recoverable)	(10,400)	(48,331)
	<u>255,309</u>	<u>357,728</u>
Change in current assets and liabilities		
Receivables (Increase)	737,887	(152,086)
Inventories (Increase)	(251,269)	(152,614)
Accounts Payable (Increase)	(315,179)	18,004
		-
Cash provided by Operating Activities	<u>171,439</u>	<u>(286,695)</u>
<u>Cash flows from investing activities</u>		
Cash flow from investing activities:		
Purchase of capital assets	(61,628)	(17,107)
Repayment IRAP Program	(5,951)	66,573
Proceeds on sale of capital assets	-	-
	<u>(67,579)</u>	<u>49,466</u>
<u>Cash flow from financing activities:</u>		
Cash flow from financing activities:		
Increase (decrease) in Long-term debt	(150,064)	(93,371)
Proceeds from share issuances, net of share issuance cost	1,025,883	-
	<u>875,818</u>	<u>(93,371)</u>
Increase in cash	<u>1,234,987</u>	<u>27,128</u>
<u>Cash</u>		
Increase (decrease) in cash	1,234,987	27,128
Bank indebtedness at beginning of year	(274,474)	(301,602)
BANK INDEBTEDNESS AT END OF PERIOD	<u>\$ 960,513</u>	<u>\$ (274,474)</u>

Cash flow per common share

0.104

0.003

Raydan Manufacturing Inc.**SCHEDULE TO THE FINANCIAL STATEMENTS****(Unaudited - Prepared By Management)****Three months period ended October 31, 2001**

	<u>Three Months to October 31, 2001</u>	<u>Three Months to October 31, 2000</u>
<u>Schedule 1 - Cost of sales</u>		
Materials and supplies	\$ 697,422	\$ 734,122
Labour and benefits	129,073	167,343
Engineering	36,430	29,362
Travel and automotive	28,698	35,928
Occupancy costs	41,965	33,117
Amortization of capital assets	18,012	15,963
Royalties	-	20,047
Amortization of intangible assets	7,188	7,812
	<u><u>\$ 958,788</u></u>	<u><u>\$ 1,043,695</u></u>

Schedule 2 - Selling and administrative expense

Marketing	\$ 88,623	\$ 43,186
Office and miscellaneous	50,218	30,225
Professional fees	37,192	52,359
Interest on long term debt	24,737	29,088
Interest and bank charges	6,689	3,362
Bad debts	(464)	-
	<u><u>\$ 206,995</u></u>	<u><u>\$ 158,218</u></u>

Raydan Manufacturing Inc.
SCHEDULE TO THE FINANCIAL STATEMENTS
(Unaudited - Prepared By Management)
Six month period ended October 31, 2001

	<u>Six Months to October 31, 2001</u>	<u>Six Months to October 31, 2000</u>
<u>Schedule 3 - Cost of sales</u>		
Materials and supplies	\$ 1,729,688	\$ 1,522,021
Labour and benefits	290,390	311,553
Engineering	80,870	62,324
Travel and automotive	51,184	57,815
Occupancy costs	89,048	57,689
Amortization of capital assets	34,975	31,887
Royalties	5,054	38,677
Amortization of intangible assets	15,000	15,625
	<u><u>\$ 2,296,209</u></u>	<u><u>\$ 2,097,591</u></u>

Schedule 4 - Selling and administrative expense

Marketing	\$ 145,707	\$ 93,514
Office and miscellaneous	87,076	54,981
Professional fees	38,512	86,190
Interest on long term debt	51,543	49,511
Interest and bank charges	11,286	5,118
Bad debts	(464)	1,343
	<u><u>\$ 333,659</u></u>	<u><u>\$ 290,657</u></u>

Raydan Manufacturing Inc.
Notes to the Financial Statements
(Unaudited - Prepared By Management)
Six month period ending October 31, 2001

1. NATURE OF OPERATIONS

The company's primary operation is the manufacturing and marketing of air-based suspensions and king-pin systems for transportation and related industries. The Company is an original equipment manufacturer selling proprietary products to world-wide manufacturers.

Raydan Manufacturing Inc. is incorporated under the business Corporations Act of Alberta.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with generally accepted accounting principles in Canada. Outlined below are those policies considered particularly significant for Raydan Manufacturing Inc.

a) Inventory

Inventory is comprised of raw materials and finished goods. Raw materials are valued at the lower of cost and replacement cost, and finished goods at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

b) Work in Process

The company values its work in progress at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

c) Capital assets

Capital assets are recorded at cost. Amortization is provided over the estimated useful lives of the assets using the declining balance and straight-line method at the following rates:

Leasehold improvements	5 years
Buildings	5%
Display units	20%
Electrical signs	20%
Shop equipment	20%
Automotive	30%
Computer equipment	30%
Display trailers	30%

Full amortization is taken in the year of acquisition and none in the year of disposal.

d) Patents

Patents are recorded at cost. Amortization is provided over the estimated useful lives of the patents using the straight-line method over 10 years.

e) Future Income Taxes

The company records future income taxes using the asset and liability method. Under this method, future tax assets and liabilities are determined based on the difference between the tax basis of an asset or liability and its carrying value basis on the balance sheet. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment.

f) Accounts Payable and Accrued Liabilities (note 7)

Accounts payable includes:

i.) Trade accounts payable and accrued liabilities;

ii.) Post sale expenses

Accruals for expenses which relate to current period sales but occur subsequent to the completion of the sale;

g) Share Capital

The company follows the accounting policy of reducing the proceeds by the costs directly related to the issuance.

Raydan Manufacturing Inc.
Notes to the Financial Statements
(Unaudited - Prepared By Management)
Six month period ending October 31, 2001

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Foreign Exchange

Monetary assets and liabilities of the Corporation which are denominated in foreign currencies are translated at period end exchange rates. Non-monetary assets and liabilities are translated at rates in effect at the date the assets were acquired and liabilities incurred. Revenue and expenses are translated at the rates of exchange in effect at their transaction dates. The resulting gains or losses are included in operations.

i) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty. Actual results for future periods could vary from these estimates and the variances could be significant.

j) Earnings Per Share

Net income per share has been computed by dividing income applicable to common shareholders by the weighted average number of shares of common stock outstanding during the respective periods.

3. INVENTORY

	Oct-2001	Apr-2001
Raw Materials	\$ 183,554	\$ 212,794
Manufactured Finished Goods	641,084	352,109
Service Finished Goods	114,293	83,760
	<u>\$ 938,931</u>	<u>\$ 648,663</u>

4. CAPITAL ASSETS

	Current		Oct-2001	Apr-2001
	Cost	Accumulated Amortization	Net	Net
Land	\$ 116,251		\$ 116,251	\$ 116,251
Buildings	738,226	107,625	630,601	632,099
Display units	41,054	28,338	12,716	14,126
Electrical signs	9,576	1,652	7,924	293
Shop equipment	158,997	75,557	83,439	84,427
Automotive	97,051	67,671	29,380	7,444
Office equipment	60,543	35,572	24,971	23,497
Display trailer	16,433	13,797	2,636	3,128
	<u>\$ 1,238,130</u>	<u>\$ 330,212</u>	<u>\$ 907,918</u>	<u>\$ 881,265</u>

5. PATENTS

	Oct-2001		Apr-2001	
	Cost	Accumulated Amortization	Net	Net
Patent - Air Link	\$ 250,000	\$ 87,500	\$ 162,500	\$ 175,000
Patent - Easy Slider	50,000	12,500	37,500	40,000
	<u>\$ 300,000</u>	<u>\$ 100,000</u>	<u>\$ 200,000</u>	<u>\$ 215,000</u>

Raydan Manufacturing Inc.
Notes to the Financial Statements
(Unaudited - Prepared By Management)
Six month period ending October 31, 2001

6. BANK INDEBTEDNESS

Bank indebtedness is secured by a general assignment of book debts, and a general security agreement providing a first fixed charge over all present and after acquired assets. The revolving bank loan has interest due monthly at prime plus 1.0%.

	Oct-2001	Apr-2001
Bank Indebtedness	\$ -	\$ 34,474
Revolving Bank Loan	-	240,000
	<u>\$ -</u>	<u>\$ 274,474</u>

7. ACCOUNTS PAYABLE & ACCRUED LIABILITIES (note 2f)

	Oct-2001	Apr-2001
Trade Accounts Payable & Accrued Liabilities	\$ 503,918	\$ 760,266
Post Sale Expenses	125,000	125,000
Note Payable	-	100,000
Directors' Advances	-	99,408
	<u>\$ 628,918</u>	<u>\$ 1,084,674</u>

The above items are listed as current payables as each item will be paid in full during the next fiscal year.

8. LONG TERM DEBT

	Oct-2001	Apr-2001
Bank loan, bearing interest at 8.0%, payable \$4,638 in blended monthly principal and interest, secured by a general security agreement covering all present and after acquired property, term to February, 2002	\$ 684,812	\$ 699,770
Bank loan, bearing interest at prime plus 1.25%, payable \$5,556 per month principal plus interest, secured by a general security agreement covering all present and after acquired property, term to December, 2001	11,096	44,432
Bank loan, bearing interest at prime plus 1.25%, payable \$836 per month principal plus interest, secured by a general security agreement covering all present and after acquired property, term to July, 2004	25,569	-
Government loan, blended payments (not to exceed a total of \$500,000) are calculated as 1.5% of gross revenue and are due quarterly from July 1, 2001 until June 30, 2011. Current portion of blended payments are \$110,000	282,417	288,369
Note payable, bearing interest at 8%, payable \$5,650 in blended monthly principal and interest, due April, 2004	151,951	179,882
	<u>1,155,845</u>	<u>1,212,453</u>
	<u>(137,840)</u>	<u>(157,548)</u>
Less: principal portion due within one year	<u>\$ 1,018,005</u>	<u>\$ 1,054,905</u>

Raydan Manufacturing Inc.
Notes to the Financial Statements
(Unaudited - Prepared By Management)
Six month period ending October 31, 2001

8. LONG TERM DEBT (continued)

Anticipated principal repayments over the next five years are as follows

2002	\$243,489
2003	225,940
2004	166,143
2005	165,656
Subsequent	434,360
	<u>\$1,235,588</u>

9. SHARE CAPITAL

Authorized:

Unlimited number of common voting shares

Unlimited number of preferred shares

Issued:

	Oct-2001		Apr-2001	
	Number of Shares	Amount	Number of Shares	Amount
Common Shares				
Balance, beginning of year	9,738,391	\$ 876,279	9,738,391	\$ 876,279
Issuance of Units at \$0.50 per Unit per initial public offering by prospectus dated February 28, 2001.	2,437,034	\$ 1,218,517		
Issuance of options to acquire 243,703 Units at \$0.50 per Unit to Wolverton Securities Ltd. as consideration for issuance of Units pursuant to agreement dated February 23, 2001. 5,000 common shares and 2,500 warrants.	5,000	\$ 2,500		
Issuance of options to acquire 82,480 common shares at an exercise price of \$0.345 per share to Wolverton Securities Ltd. as consideration for issuance of Units pursuant to a letter of agreement dated September 22, 1999.	82,480	\$ 28,456		
Issuance of options to acquire 238,703 Units at \$0.50 per Unit to Wolverton Securities Ltd. as consideration for issuance of Units pursuant to initial public offering by prospectus dated February 28, 2001. 5,000 common shares and 2,500 warrants.	15,000	\$ 7,500		
Less share issue costs		\$ (231,090)		
Balance, end of period	12,277,905	\$ 1,902,162	9,738,391	\$ 876,279

Pursuant to employment agreement dated April 15, 1999, the company has agreed to issue 72,917 shares to an employee as follows:

	Number
November 1, 2001	<u>72,917</u>

The company will not receive any monetary consideration for these shares as per the employment agreement.

Raydan Manufacturing Inc.
Notes to the Financial Statements
(Unaudited - Prepared By Management)
Six month period ending October 31, 2001

10. INCOME TAXES

For income tax purposes, the company has non-capital losses carried forward from prior years available on a tax filing basis, which may be applied to reduce future years' taxable income. These losses expire as follows:

2006	<u>\$</u>	<u>381,456</u>
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The future tax asset of \$144,934 is from the valuation of the non-capital loss carry forwards of \$381,456 at 38%.

11. ECONOMIC DEPENDENCE

Sales to one customer constitute 25% of current fiscal year sales of the company. The company's continued financial viability does not depend solely on this customer to operate in the normal course of business.

12. FINANCIAL INSTRUMENTS

Financial instruments consist of recorded amounts of accounts receivable which will result in future cash receipts, as well as bank advances, accounts payable and accruals, and long-term advances and long-term debt which will result in future cash outlays.

a) Fair Value

The carrying values of the financial instruments noted above approximate their fair values.

b) Interest Risk

The company manages its exposure to interest rate risk through a combination of fixed and floating rate borrowings. The fixed rate debt is subject to interest rate price risk, as the value will fluctuate as a result of changes in market rates. The floating rate debt is subject to interest rate cash flow risk, as the required cash flows to service the debt will fluctuate as a result of changes in market rates.

c) Currency Risk

Currency risk is the risk to the company's earnings that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The company does not use derivative instruments to reduce its exposure to foreign currency risk. Foreign currency is converted to Canadian dollars on a monthly basis. As at period end, the following assets and liabilities are carried in a foreign currency:

Accounts Receivable	US\$	274,396
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d) Credit Risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The company is exposed to credit risk from its customers. In excess of half of the company's annual sales are from customers operating in foreign jurisdictions. The company does not use letters of credit or export credit insurance to reduce this risk.

The company is currently exposed to significant credit risk from one of its U.S. customers. Sales are made to this customer on trade account with no letter of credit. The company has chosen to self insure on this trade account. This customer has continued to honor its obligations to the company and the company has received orders until the end of the calendar year 2001. As at period end the company has accounts receivable from this customer of US\$ 13,539

Raydan Manufacturing Inc.
Notes to the Financial Statements
(Unaudited - Prepared By Management)
Six month period ending October 31, 2001

13. SUBSTANTIAL EVENT

The company has filed a prospectus dated June 29, 2000 for an initial public offering to residents in the Provinces of Alberta and British Columbia of a minimum of 1,000,000 units (the "Units") and a maximum of 3,000,000 units at a price of \$0.50 per unit. Each unit entitles the holder thereof to acquire one common share in the capital of the corporation and 1/2 of one common share purchase warrant of the corporation.

Each purchase warrant will entitle the holder to subscribe for one common share at an exercise price of \$0.75 until one year after the date of the closing of the initial public offering.

The initial public offering commenced March 2, 2001 and closed June 18, 2001. The results of the initial public offering were as follows:

Gross Proceeds	2,437,034 @ 0.50 per unit	\$ 1,218,517
Less Costs to Issue		(143,060)
Net Proceeds		<u>\$ 1,075,457</u>

14. LEGAL MATTERS

In 1999 an action was commenced against the company in the Federal Court of Canada alleging a patent infringement. The action relates to a front-end tandemization process which the company performs as a side line in its repair and service shop. The plaintiff patent holder seeks an injunction against the company to cease the alleged patent infringement and to account for all profits made pursuant to the alleged infringement. Management is of the opinion that the process used by the company is entirely different from the process alleged to be protected by the patent holder and the company has filed a statement of defense to the claim. Management is not aware of any material legal proceedings contemplated or threatened against the company.

15. COMPARATIVE FIGURES

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current period. The changes do not affect prior period earnings.

BC FORM 51-901F
(Previously Form 61)

SECOND QUARTER REPORT

Incorporated as part of:

 X Schedule A
 Schedules B & C

ISSUER DETAILS:

NAME OF ISSUER	Raydan Manufacturing Inc.
FOR QUARTER ENDED	October 31, 2001
DATE OF REPORT	November 30, 2001
ISSUER'S ADDRESS	601 – 18 Avenue Nisku, Alberta T9E 7T7
ISSUER FAX NUMBER	780-955-2386
ISSUER TELEPHONE NUMBER	780-955-2859
CONTACT PERSON	Ray English / Joan Richardson
CONTACT'S POSITION	President / Shareholder's Relations
CONTACT TELEPHONE NUMBER	780-955-2859
CONTACT EMAIL ADDRESS	info@raydanmail.com
WEB SITE ADDRESS	www.raydanmfg.com

CERTIFICATE

The three schedules required to complete this Report are attached and the disclosure contained therein has been approved by the Board of Directors. A copy of this Report will be provided to any shareholder who requests it.

DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED YY/MM/DD
	Raymond W. English	2001, November 30

DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED YY/MM/DD
	Dan E. English	2001, November 30

Schedule C – MANAGEMENT DISCUSSION AND ANALYSIS

The Board of Directors of Raydan Manufacturing Inc. (the "Company") is pleased to present to the shareholders, a summary of the Company's activities for the second quarter ended October 31, 2001.

MESSAGE TO THE SHAREHOLDERS

Raydan Manufacturing Inc continues to diversify its customer base while providing the same quality products that have made a significant impact on the heavy equipment industry. Despite the instability of the world economy, the Company remains focused on retaining its share of the marketplace through the pursuit of specialized areas, while taking preliminary measures to launch its suspension onto the assembly lines of vocational truck manufacturers. Through concerted sales efforts in areas such as the fire apparatus and refuse vehicle manufacturers, Raydan expects to minimize the effect of the current slow business environment. We believe the future is bright for our Company and we appreciate the support of our shareholders as we strive to attain our goals.

MANAGEMENT DISCUSSION AND ANALYSIS

We are pleased to present to the shareholders a brief summary of the Company's activities for the second quarter ended October 31, 2001.

Sales to Fire Apparatus Manufacturers have increased steadily. The events of September 11 accelerated the demand for fire, ladder, aerial and other rescue vehicles. Our sales staff is working diligently to introduce the Air Link suspension to the assembly lines of all the major rescue vehicle manufacturers. The various departments of the City of New York continue to struggle with the aftermath of the tragedy. Great progress is being made, however. New equipment will be required to accomplish the tremendous task before them, as well as replacement units for those lost in the formidable clean-up task. Air Link has been specified as the suspension of choice for all vehicles ordered by the New York City Fire Department.

The second and third quarters have historically been slow periods for the crane market. The present economic slump has made the situation more acute, as the number of construction projects has declined. Sales to the crane manufacturers have waned in this soft market but the Company fully expects recovery to begin sometime in the fourth quarter. A major supplier of cranes recently introduced a new model, a 70-ton crane equipped with the Air Link suspension. The first prototype is complete and full production is scheduled to commence early next year.

Our parts and service shop is situated in one of the most prosperous areas of Alberta and reports a notable increase in revenue compared to the same period last year. Recently, Raydan was appointed a factory authorized Mack Truck parts outlet, allowing customers to purchase genuine quality Mack products at a convenient south Edmonton location. In May, the shop instituted a night shift, making our services available from 7:00 am to 1:00 am, Monday through Friday. Nisku has become a well-balanced industrial park generating year-round work from a number of industries.

DESCRIPTION OF BUSINESS

Raydan Manufacturing Inc is a Nisku based producer of specialized suspensions and coupling systems for vocational trucks and heavy equipment. In addition, the Company operates a full parts, service and repair facility from a fully modern 23,000 square foot shop and office complex.

DISCUSSION OF OPERATIONS AND FINANCIAL CONDITION

The second quarter results showed an increase in sales of 5% year to date over the similar six month period last year. Profits margin was down by 33% due to the mix of sales and increased marketing expenses.

Investor relations activities during the quarter consisted of responding to enquiries from shareholders, filing, dissemination and distribution of news releases and financial reports as well as website maintenance and updates.

SUBSEQUENT EVENTS

Manufactured product sales have declined in the second quarter and we expect this trend will continue throughout the third. However, orders booked for the fourth quarter show that the economy will rebound somewhat early next year. In addition, we are focused on work in specialized areas such as sanitation, fire and rescue vehicles, which offers our Company a measure of protection from changing economies. In the past year, Raydan has become established with some of the leading fire apparatus manufacturers in North America. Air Link is now standard equipment on a variety of fire trucks and optional on a number of others. We are concentrating on accelerated growth that is manageable and profitable, resulting in better returns to our shareholders.

FINANCINGS, PRINCIPAL PURPOSES AND MILESTONES

During the year to date, the company has renewed existing financial arrangements with its bank the Canadian Western Bank. They are effective July 26, 2001.

Demand Revolving (Operating) Loan: (\$1,000,000)

To finance day-to-day operations of the business. No portion of the operating credit is to be used to finance capital expenses, investments, etc. which do not form part of the normal operating expenses.

Renewal of Demand Non-Revolving (Term) Loan: (\$694,800)

Residual of a total of \$750,000 provided to refinance debt (\$500,000) at the Bank of Montreal, and renovations (\$250,000) to the Nisku Property.

Renewal of Non-Revolving (Term) Loan: (\$33,320)

Residual of \$200,000 advanced to refinance outstanding term loans at the Bank of Montreal and other financial institutions.

LIQUIDITY AND SOLVENCY

Raydan Manufacturing Inc. had Working Capital of \$1,800,000 at October 31, 2001.

On behalf of the Board of Directors

Raymond W English, President

